

Township of Jefferson
Cass County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Jefferson Township	County Cass
Audit Date 6/30/04	Opinion Date 9/8/04	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Siegfried Crandall PC			
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Accountant Signature <i>Siegfried Crandall P.C.</i>		ZIP 49002-5599	Date

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Jefferson, Michigan**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Township of Jefferson, Michigan, as of June 30, 2004, and for the year then ended, which collectively comprise the Township of Jefferson, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Jefferson, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Township of Jefferson, Michigan, as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10, the Township of Jefferson, Michigan has implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2003.

The budgetary comparison information, on pages 17 through 18, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Jefferson, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Board of Trustees
Township of Jefferson, Michigan
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Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Jefferson, Michigan's basic financial statements. The supplementary information and the other supplementary data, as listed in the contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Township of Jefferson, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

September 23, 2004

BASIC FINANCIAL STATEMENTS

Township of Jefferson
STATEMENT OF NET ASSETS
June 30, 2004

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash	\$ 349,861
Receivables (net)	<u>67,914</u>
<i>Total current assets</i>	<u>417,775</u>
Noncurrent assets:	
Receivables (net)	100,657
Capital assets (net of accumulated depreciation)	<u>195,685</u>
<i>Total non-current assets</i>	<u>296,342</u>
<i>Total assets</i>	<u>714,117</u>
LIABILITIES	
Current liabilities:	
Accounts payable	17,048
Current maturities of long-term debt	<u>29,235</u>
<i>Total current liabilities</i>	46,283
Noncurrent liabilities:	
Long-term debt	<u>185,090</u>
<i>Total liabilities</i>	<u>231,373</u>
NET ASSETS	
Invested in capital assets, net of related debt	188,479
Restricted for debt service	161,687
Unrestricted	<u>132,578</u>
<i>Total net assets</i>	<u>\$ 482,744</u>

See notes to financial statements

Township of Jefferson
STATEMENT OF ACTIVITIES
Year ended June 30, 2004

Functions/Programs	<u>Program Revenues</u>		<u>Net (expense) revenue and changes in net assets</u>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Primary government Governmental activities</u>
Primary government:			
Governmental activities:			
Legislative	\$ 8,800	\$ -	\$ (8,800)
General government	135,865	5,700	(130,165)
Public safety	86,487	39,232	(47,255)
Public works	31,332	2,961	(28,371)
Health and welfare	18,755	-	(18,755)
Community and economic development	37,205	5,500	(31,705)
Interest on long-term debt	6,559	11,750	5,191
Total primary government	<u>\$ 325,003</u>	<u>\$ 65,143</u>	<u>(259,860)</u>
General revenues:			
Taxes			73,585
State grants			167,408
Investment income			2,701
Other			450
Total general revenues			<u>244,144</u>
Change in net assets			(15,716)
Net assets - beginning of year			<u>498,460</u>
Net assets - end of year			<u>\$ 482,744</u>

See notes to financial statements

Township of Jefferson
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2004

	<u>Major Funds</u>		<u>Non-Major Fund</u>	
	<u>General</u>	<u>Debt Service Diamond Lake Sewer</u>	<u>Debt Service Indigan Lane Road</u>	<u>Totals</u>
ASSETS				
Cash	\$ 319,112	\$ 30,749	\$ -	\$ 349,861
Special assessments receivable	-	130,938	-	130,938
Due from other governmental units	26,983	-	-	26,983
Due from others	10,650	-	-	10,650
<i>Total assets</i>	<u>356,745</u>	<u>161,687</u>	<u>-</u>	<u>518,432</u>
LIABILITIES				
Accounts payable	17,048	-	-	17,048
Deferred revenue	-	130,938	-	130,938
<i>Total liabilities</i>	<u>17,048</u>	<u>130,938</u>	<u>-</u>	<u>147,986</u>
FUND BALANCE				
Unrestricted, undesignated	<u>\$ 339,697</u>	<u>\$ 30,749</u>	<u>\$ -</u>	370,446

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

195,685

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

130,938

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(214,325)

Net assets of governmental funds

\$ 482,744

See notes to financial statements

Township of Jefferson
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - Governmental Funds
Year ended June 30, 2004

	<u>Major Funds</u>		<u>Non-Major Fund</u>	
	<u>General</u>	<u>Debt Service Diamond Lake Sewer</u>	<u>Debt Service Indigan Lane Road</u>	<u>Totals</u>
REVENUES				
Taxes	\$ 73,585	\$ -	\$ -	\$ 73,585
Licenses and permits	41,595	-	-	41,595
State grants	167,408	-	-	167,408
Charges for services	10,608	-	-	10,608
Contribution from local unit	-	2,600	-	2,600
Interest and rentals	2,708	2,575	1,091	6,374
Other	450	29,382	11,750	41,582
<i>Total revenues</i>	<u>296,354</u>	<u>34,557</u>	<u>12,841</u>	<u>343,752</u>
EXPENDITURES				
Legislative	8,800	-	-	8,800
General government	122,991	-	-	122,991
Public safety	86,487	-	-	86,487
Public works	79,622	-	40	79,662
Health and welfare	18,755	-	-	18,755
Community and economic development	37,205	-	-	37,205
Debt service:				
Principal	-	29,234	11,711	40,945
Interest	-	5,469	1,090	6,559
Capital outlay	548	-	-	548
<i>Total expenditures</i>	<u>354,408</u>	<u>34,703</u>	<u>12,841</u>	<u>401,952</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(58,054)	(146)	-	(58,200)
FUND BALANCES - BEGINNING OF YEAR	<u>397,751</u>	<u>30,895</u>	<u>-</u>	<u>428,646</u>
FUND BALANCES - END OF YEAR	<u>\$ 339,697</u>	<u>\$ 30,749</u>	<u>\$ -</u>	<u>\$ 370,446</u>
<i>Net change in fund balances - total governmental funds</i>				\$ (58,200)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>				
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.				36,004
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.				(34,465)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.				<u>40,945</u>
Change in net assets of governmental activities				<u>\$ (15,716)</u>

See notes to financial statements

Township of Jefferson
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
June 30, 2004

	<u>Agency Fund Type</u>
ASSETS	
Cash	\$ <u>322</u>
LIABILITIES	
Due to other governmental units	\$ <u>322</u>

See notes to financial statements

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Jefferson, Michigan (the Township), conform to U.S. generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely-presented component unit in the Township's general purpose financial statements.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of all interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. The major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*):

c) *Measurement focus, basis of accounting, and financial statement presentation (continued)*: revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Township.

The government reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Sewer Debt Fund accounts for the issuance and payment of debt related to sewer improvements.

The Road Debt Fund accounts for the issuance and payment of debt related to road improvements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector standards.

Amounts reported as program revenue include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and interest income.

d) *Assets, liabilities, and net assets or equity*:

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

ii) *Receivables and payables* - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All receivables are considered to be fully collectible.

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iii) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., major road improvements), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Township has the option of accounting for infrastructure assets retroactively to June 30, 1980, or prospectively beginning July 1, 2003. The Township has elected to account for infrastructure assets on the prospective basis.

The Township includes shared road costs in its infrastructure. These costs represent the Township's portion of public road improvements for roads within the Township which are owned by the County of Cass.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	5 - 7 years
Shared road costs	20 years

iv) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General				
	government	Treasurer	\$19,000	\$20,185	\$1,185
	Public works	Highways and streets	65,000	67,960	2,960
	Community and economic development	Planning and zoning	28,000	37,205	9,205

NOTE 3 - DEPOSITS:

The Township's deposits, as shown in the government-wide statement of net assets are as follows

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash	\$349,702	\$ 322	\$350,024
Cash on hand	<u>159</u>	<u>-</u>	<u>159</u>
Total cash	<u>\$349,861</u>	<u>\$ 322</u>	<u>\$350,183</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At June 30, 2004, the Township has deposits with a carrying amount of \$350,024 and a bank balance of \$352,076. Of the bank balance \$74,115 is covered by federal depository insurance, and \$277,961 is uninsured.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major funds, in the aggregate, are as follows:

	<u>General</u>	<u>Sewer Debt</u>	<u>Road Debt</u>	<u>Totals</u>
Accounts	\$10,650	\$ -	\$ -	\$ 10,650
Special assessments	-	30,281	-	30,281
Intergovernmental	<u>26,983</u>	<u>-</u>	<u>-</u>	<u>26,983</u>
Net receivables	<u>\$37,633</u>	<u>\$ 30,281</u>	<u>\$ -</u>	<u>\$ 67,914</u>
Non-current portion	<u>\$ -</u>	<u>\$100,657</u>	<u>\$ -</u>	<u>\$100,657</u>

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity of the Township for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Construction in progress	<u>-</u>	<u>33,494</u>	<u>-</u>	<u>33,494</u>
Subtotal	<u>20,000</u>	<u>33,494</u>	<u>-</u>	<u>53,494</u>
Capital assets being depreciated:				
Buildings and improvements	275,872	-	-	275,872
Equipment	28,195	-	-	28,195
Infrastructure - shared road costs	<u>-</u>	<u>15,216</u>	<u>-</u>	<u>15,216</u>
Subtotal	<u>304,067</u>	<u>15,216</u>	<u>-</u>	<u>319,283</u>
Less accumulated depreciation for:				
Buildings and improvements	154,528	7,544	-	162,072
Equipment	9,858	4,782	-	14,640
Infrastructure	<u>-</u>	<u>380</u>	<u>-</u>	<u>380</u>
Subtotal	<u>164,386</u>	<u>12,706</u>	<u>-</u>	<u>177,092</u>
Net capital assets being depreciated	<u>139,681</u>	<u>2,510</u>	<u>-</u>	<u>142,191</u>
Total capital assets - net of depreciation	<u>\$159,681</u>	<u>\$36,004</u>	<u>\$ -</u>	<u>\$195,685</u>

Depreciation expense was charged to programs of the Township as follows:

General government	\$12,326
Public works, which includes the depreciation of general infrastructure assets	<u>380</u>
Total governmental activities	<u>\$12,706</u>

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG-TERM DEBT:

Long-term debt at June 30, 2004, is comprised of the following individual issues:

\$49,550 1990 contract payable, Cass County, annual principal payments of \$2,477 to \$2,478 and semiannual interest payments through October 2010; interest at 6% to 7.4%	\$ 17,343
\$520,275 1995 contract payable, Cass County, annual principal payments of \$26,757 to \$27,253 and semiannual interest payments through October 2010; interest at 2%	189,776
\$78,000 1997 Fifth Third Bank loan, annual installments of \$12,000 through March 2005; interest at 6.35%	<u>7,206</u>
	<u>\$214,325</u>

The Cass County contracts payable and the Fifth Third Bank loan are backed by the full faith and credit of the Township.

a) Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
1990 Contract payable	\$ 19,820	\$ -	\$ (2,477)	\$ 17,343	\$ 2,478
1995 Contract payable	216,533	-	(26,757)	189,776	26,757
1997 Bank loan	<u>18,917</u>	<u>-</u>	<u>(11,711)</u>	<u>7,206</u>	<u>7,206</u>
Total liabilities	<u>\$255,270</u>	<u>\$ -</u>	<u>\$(40,945)</u>	<u>\$214,325</u>	<u>\$36,441</u>

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG-TERM DEBT (Continued):

b) Debt service requirements at June 30, 2004, were as follows:

Year ended June 30:	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 36,441	\$ 5,163
2006	29,234	3,992
2007	29,730	3,273
2008	29,730	2,547
2009	29,730	1,820
2010	29,730	1,093
2011	<u>29,730</u>	<u>365</u>
Totals	<u>\$214,325</u>	<u>\$18,253</u>

NOTE 7 - JOINTLY GOVERNED ORGANIZATIONS:

a) Edwardsburg Fire Department:

The Townships of Jefferson, Ontwa, and Milton have created the Edwardsburg Fire Department, which has a board composed of two individuals appointed by each Township board and one member-at-large appointed by the Edwardsburg Fire Board, who is a resident of one of the Townships. The Township appropriated \$25,907 for operations, and \$17,272 for capital outlay to Edwardsburg Fire Department in 2004.

b) Edwardsburg Ambulance Service:

The Townships of Jefferson, Ontwa, Calvin, and the Village of Edwardsburg have entered into an agreement with the Edwardsburg Ambulance Service for ambulance services. The agreement created the Ambulance Service Board, which is composed of two representatives to be appointed from each of the municipalities in the agreement. The payments to the ambulance service are based on a calculation of taxable values and percentages. The Township appropriated \$5,369 for operations and shortfall of the Edwardsburg Ambulance Service in 2004.

c) Cassopolis Area Ambulance Service:

The Townships of Jefferson, Calvin, LaGrange, Penn, and the Villages of Cassopolis and Vandalia have entered into an agreement with the Cassopolis Area Ambulance Service for ambulance services. The ambulance service has a board, which is made up of various members of the participating municipalities. The payments for services provided are calculated based on a five-year average of the ambulance runs in the participating municipalities, which is then applied to the total revenue to be collected from the municipalities, which is \$40,000. For the year ended June 30, 2004, the Township appropriated \$13,385 for operations of the Cassopolis Area Ambulance Service.

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2004, is as follows:

Permit revenues	\$40,432
Inspection expenses	<u>36,594</u>
Excess of revenues over expenses	<u>\$ 3,838</u>

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective July 1, 2003, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. The Township has applied the provisions of this statement, except for the management's discussion and analysis. In connection with the implementation of this statement, the following adjustments to beginning net assets has been made to reflect the cumulative effect of this accounting change in the governmental funds:

Net assets, as previously reported	\$428,646
Capitalization of capital assets, net of accumulated depreciation, not previously reported	159,681
Long-term assets that were not available to pay for current period expenditures and are therefore deferred in the funds	165,403
Long-term liabilities, including contracts and loan payables, that were previously reported in the General Long-term Debt Account Group	<u>(255,270)</u>
Net assets, as restated	<u>\$498,460</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Jefferson
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 80,000	\$ 80,000	\$ 73,585	\$ (6,415)
Licenses and permits	50,000	50,000	41,595	(8,405)
State grants	185,000	185,000	167,408	(17,592)
Charges for services	7,000	7,000	10,608	3,608
Interest and rentals	11,500	11,500	2,708	(8,792)
Other	300	300	450	150
<i>Total revenues</i>	<u>333,800</u>	<u>333,800</u>	<u>296,354</u>	<u>(37,446)</u>
EXPENDITURES				
Legislative	<u>7,000</u>	<u>9,000</u>	<u>8,800</u>	<u>200</u>
General government:				
Supervisor	16,500	16,500	16,069	431
Election	8,000	1,000	167	833
Assessor	22,000	24,000	23,349	651
Clerk	16,000	16,000	13,799	2,201
Board of review	3,000	3,000	1,158	1,842
Treasurer	19,000	19,000	20,185	(1,185)
Building and grounds	26,000	24,000	17,795	6,205
Cemetery	4,000	4,000	2,540	1,460
Other	34,300	34,300	27,929	6,371
<i>Total general government</i>	<u>148,800</u>	<u>141,800</u>	<u>122,991</u>	<u>18,809</u>
Public safety:				
Fire protection	60,000	60,000	49,893	10,107
Building inspections	<u>45,000</u>	<u>47,000</u>	<u>36,594</u>	<u>10,406</u>
<i>Total public safety</i>	<u>105,000</u>	<u>107,000</u>	<u>86,487</u>	<u>20,513</u>
Public works:				
Highways and streets	65,000	65,000	67,960	(2,960)
Waste disposal	<u>15,000</u>	<u>15,000</u>	<u>11,662</u>	<u>3,338</u>
<i>Total public works</i>	<u>80,000</u>	<u>80,000</u>	<u>79,622</u>	<u>378</u>
Health and welfare - ambulance	<u>20,000</u>	<u>20,000</u>	<u>18,755</u>	<u>1,245</u>

Township of Jefferson**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - Zoning and planning	<u>\$ 25,000</u>	<u>\$ 28,000</u>	<u>\$ 37,205</u>	<u>\$ (9,205)</u>
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>548</u>	<u>9,452</u>
Total expenditures	<u>395,800</u>	<u>395,800</u>	<u>354,408</u>	<u>41,392</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(62,000)</u>	<u>(62,000)</u>	<u>(58,054)</u>	<u>3,946</u>
FUND BALANCES - BEGINNING OF YEAR	<u>397,751</u>	<u>397,751</u>	<u>397,751</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 335,751</u>	<u>\$ 335,751</u>	<u>\$ 339,697</u>	<u>\$ 3,946</u>

SUPPLEMENTARY INFORMATION

Township of Jefferson

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -

all agency funds

Year ended June 30, 2004

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2004</u>
CURRENT TAX COLLECTION FUND				
ASSETS				
Cash	\$ 3,635	\$ 1,523,354	\$ 1,526,667	\$ 322
LIABILITIES				
Due to other governmental units	3,635	1,515,831	1,519,144	322
Due to others	-	7,523	7,523	-
TOTAL LIABILITIES	<u>\$ 3,635</u>	<u>\$ 1,523,354</u>	<u>\$ 1,526,667</u>	<u>\$ 322</u>
PAYROLL TAX FUND				
ASSETS				
Cash	\$ 18	\$ 20,037	\$ 20,055	\$ -
LIABILITIES				
Due to others	\$ 18	\$ 20,037	\$ 20,055	\$ -
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 3,653	\$ 1,543,391	\$ 1,546,722	\$ 322
LIABILITIES				
Due to other governmental units	3,635	1,515,831	1,519,144	322
Due to others	18	27,560	27,578	-
TOTAL LIABILITIES	<u>\$ 3,653</u>	<u>\$ 1,543,391</u>	<u>\$ 1,546,722</u>	<u>\$ 322</u>

OTHER SUPPLEMENTARY DATA

Township of Jefferson**SCHEDULE OF ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS**

Year ended June 30, 2004

<u>Fiscal</u> <u>period</u>	<u>Interest</u> <u>rate</u>	<u>Interest</u>		<u>Maturity</u> <u>date</u>	<u>Principal</u>	<u>Total</u> <u>requirements</u>
		<u>October 1</u>	<u>April 1</u>			
\$500,000 Cass County Sanitary Sewage Disposal System Bonds (1990)						
2005	7.15%	633	544	10/1/2004	2,478	3,655
2006	7.20%	544	455	10/1/2005	2,477	3,476
2007	7.25%	455	365	10/1/2006	2,478	3,298
2008	7.30%	365	274	10/1/2007	2,477	3,116
2009	7.35%	274	183	10/1/2008	2,478	2,935
2010	7.40%	183	92	10/1/2009	2,477	2,752
2011	7.40%	92	-	10/1/2010	2,478	2,570
		<u>\$ 2,546</u>	<u>\$ 1,913</u>		<u>\$ 17,343</u>	<u>\$ 21,802</u>

\$5,250,000 Michigan Municipal Bond Authority Bond (1995)

2005	2.00%	1,898	1,630	10/1/2004	26,757	30,285
2006	2.00%	1,630	1,363	10/1/2005	26,757	29,750
2007	2.00%	1,363	1,090	10/1/2006	27,252	29,705
2008	2.00%	1,090	818	10/1/2007	27,253	29,161
2009	2.00%	818	545	10/1/2008	27,252	28,615
2010	2.00%	545	273	10/1/2009	27,253	28,071
2011	2.00%	273	-	10/1/2010	27,252	27,525
		<u>\$ 7,617</u>	<u>\$ 5,719</u>		<u>\$ 189,776</u>	<u>\$ 203,112</u>

Township of Jefferson

**SCHEDULE OF ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS
REQUIREMENTS (Continued)**

Year ended June 30, 2004

	<u>Fiscal period</u>	<u>Interest rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total requirements</u>
\$78,000 Fifth Third Bank loan (1998)	2005	6.35%	\$ <u>458</u>	\$ <u>7,206</u>	\$ <u>7,664</u>